

110TH CONGRESS
1ST SESSION

H. R. 1766

To amend conservation and biofuels programs of the Department of Agriculture to promote the compatible goals of economically viable agricultural production and reducing nutrient loads in the Chesapeake Bay and its tributaries by assisting agricultural producers to make beneficial, cost-effective changes to cropping systems, grazing management, and nutrient management associated with livestock and poultry production, crop production, bioenergy production, and other agricultural practices on agricultural land within the Chesapeake Bay watershed, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 2007

Mr. VAN HOLLEN (for himself, Mr. SCOTT of Virginia, Mr. GILCHREST, Mr. TOM DAVIS of Virginia, Mr. HOYER, Mr. WYNN, Mrs. JO ANN DAVIS of Virginia, Mr. RUPPERSBERGER, Ms. NORTON, Mr. SARBANES, Mr. WOLF, Mr. MORAN of Virginia, Mrs. DRAKE, Mr. CUMMINGS, Mr. HINCHHEY, Mr. PLATTS, Mr. CARNEY, and Mr. HALL of New York) introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend conservation and biofuels programs of the Department of Agriculture to promote the compatible goals of economically viable agricultural production and reducing nutrient loads in the Chesapeake Bay and its tributaries by assisting agricultural producers to make beneficial, cost-effective changes to cropping systems, grazing management, and nutrient management associated with livestock and poultry production, crop production, bio-

3 SECTION 1. SHORT TITLE.

8 (b) TABLE OF CONTENTS.—The table of contents for
9 this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Findings.
- Sec. 3. Environmental quality incentives program.
- Sec. 4. Regional water quality enhancement program.
- Sec. 5. Conservation innovation grants.
- Sec. 6. Conservation reserve program.
- Sec. 7. Conservation security program.
- Sec. 8. Comprehensive planning technical assistance pilot program.
- Sec. 9. Wetlands reserve program.
- Sec. 10. Agricultural management assistance.
- Sec. 11. Biorefinery and biofuel project grants.
- Sec. 12. Renewable energy systems and energy efficiency improvements program.

11 Congress finds the following:

(2) The Chesapeake Bay watershed encompasses portions of six States, New York, Pennsyl-

1 vania, Delaware, Maryland, Virginia, and West Vir-
2 ginia, and the District of Columbia, and contains
3 150 major tributaries.

4 (3) Agricultural operations, small family farms
5 in particular, is a defining feature of the economy,
6 heritage, culture, landscape, and environment of the
7 States of the Chesapeake Bay watershed, and these
8 agricultural operations account for nearly one quar-
9 ter of the land in the Chesapeake Bay watershed,
10 stretching across 10 million acres and involving tens
11 of thousands of individual farmers.

12 (4) Unfortunately, these same agricultural oper-
13 ations are the source of more than 40 of the nitro-
14 gen and phosphorus loads going into the Chesapeake
15 Bay;

16 (5) In the landmark regional agreement known
17 as Chesapeake 2000, the Federal Government, the
18 six States of the Chesapeake Bay watershed, and the
19 District of Columbia, agreed to significantly reduce
20 annual nitrogen, phosphorus, and sediment loadings
21 by 2010 to restore the Chesapeake Bay and its tidal
22 tributaries sufficiently to remove them from the list
23 of impaired waters under the Clean Water Act.

24 (6) Current efforts to implement Chesapeake
25 2000 and achieve the nitrogen and phosphorus re-

1 duction goals specified in the agreement are signifi-
2 cantly underfunded.

3 (7) The implementation of improved conserva-
4 tion practices in agricultural operations in the
5 Chesapeake Bay watershed and increased agricul-
6 tural bioenergy production can serve the dual pur-
7 poses of enhancing the environmental health of the
8 Chesapeake Bay and the economic vitality of farm-
9 ers in the watershed.

10 **SEC. 3. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM.**

11 (a) EXTENSION.—

12 (1) FUNDING EXTENSION AND INCREASE.—
13 Section 1241(a) of the Food Security Act of 1985
14 (16 U.S.C. 3841(a)) is amended by striking para-
15 graph (6) and inserting the following new para-
16 graph:

17 “(6) The environmental quality incentives pro-
18 gram under chapter 4, using, to the maximum ex-
19 tent practicable, \$2,000,000,000 in each of fiscal
20 years 2008 through 2013.”.

21 (2) CONFORMING AMENDMENTS.—Section
22 1240B of such Act (16 U.S.C. 3839aa–2) is amend-
23 ed—

24 (A) in subsection (a)(1), by striking
25 “2010” and inserting “2013”; and

1 (B) in subsection (g), by striking “2007”
2 and inserting “2013”.

3 (b) PRIORITY GIVEN TO STATE ALLOCATIONS.—Sec-
4 tion 1240F of such Act (16 U.S.C. 3839aa–6) is amend-
5 ed—

6 (1) by striking “To” and inserting “(a) ASSIST-
7 ANCE, INFORMATION, AND TRAINING.—To”; and

8 (2) by adding at the end the following new sub-
9 sections:

10 “(b) INTERSTATE WATERSHEDS.—When making
11 program allocations to States, the Secretary shall give pri-
12 ority to States located within watersheds that—

13 “(1) encompass more than one State;

14 “(2) are recognized under the Clean Water Act
15 as having nutrient-related water quality impairments
16 or sediment-related water quality impairments (or
17 both); and

18 “(3) are subject to State-approved tributary
19 strategies or watershed management plans designed
20 to address such impairments.

21 “(c) PROHIBITED ALLOCATION FACTOR.—The Sec-
22 retary shall not use the total number of acres as an alloca-
23 tion factor.”.

24 (c) COST SHARE PAYMENT EXCEPTION.—Section
25 1240B(d)(2) of such Act (16 U.S.C. 3839aa–2(d)(2)) is

1 amended by striking subparagraph (A) and inserting the
 2 following new subparagraph:

3 “(A) LIMITED RESOURCE AND BEGINNING
 4 FARMERS.—The Secretary may increase the
 5 amount provided to a producer under para-
 6 graph (1) to not more than 90 percent if the
 7 producer is a limited resource or beginning
 8 farmer or rancher, as determined by the Sec-
 9 retary, but in no event shall the cost-share pay-
 10 ment under the program be less than 15 per-
 11 cent more than the payment that the Secretary
 12 may determine under paragraph (1).”

13 (d) FOREST CONSERVATION AND PERFORMANCE IN-
 14 CENTIVES FOR STATES.—Chapter 4 of subtitle D of title
 15 XII of such Act is amended by adding at the end the fol-
 16 lowing new sections:

17 **“SEC. 1240J. PROMOTION OF FOREST STEWARDSHIP PRAC-**
 18 **TICES.**

19 “(a) COST-SHARE PAYMENTS AND INCENTIVE PAY-
 20 MENTS.—In carrying out the program under this chapter,
 21 the Secretary shall promote forest stewardship by pro-
 22 viding cost-share payments and incentive payments to
 23 non-industrial private forest owners to carry out eligible
 24 conservation activities, to—

25 “(1) improve water quality;

1 “(2) improve habitat for at-risk species;

2 “(3) restore ecologically important forest types;

3 or

4 “(4) control invasive species.

5 “(b) PRIORITY.—The Secretary shall give priority to
6 projects that involve multiple landowners implementing el-
7 igible conservation activities in a coordinated way to ad-
8 dress the purposes described in subsection (a).

9 “(c) FUNDING.—

10 “(1) AMOUNTS.—The Secretary shall use funds
11 of the Commodity Credit Corporation to carry out
12 this section in the following amounts:

13 “(A) \$25,000,000 for fiscal year 2008.

14 “(B) \$45,000,000 for fiscal year 2009.

15 “(C) \$60,000,000 for fiscal year 2010.

16 “(D) \$75,000,000 for each of fiscal years
17 2011 and 2012.

18 “(E) \$100,000,000 for fiscal year 2013.

19 **“SEC. 1240K. PERFORMANCE INCENTIVES FOR STATES.**

20 “(a) HIGH LEVEL OF PERFORMANCE BONUS.—For
21 each of fiscal years 2008 through 2013, 10 percent of the
22 funds made available under this chapter shall be reserved
23 by the Secretary for bonus allocations to States that dem-
24 onstrate a high level of performance in implementing the
25 program.

1 “(b) SPECIAL CONSIDERATIONS.—In evaluating
2 State performance under subsection (a), the Secretary
3 shall reward States that—

4 “(1) consistently meet the requirements of sec-
5 tion 1240C in evaluating offers and payments;

6 “(2) dedicate a portion of their annual environ-
7 mental quality incentives program allocation to
8 multi-producer cooperative efforts to address specific
9 resource concerns;

10 “(3) collaborate with other Federal and State
11 agencies, local governments, educational institutions,
12 and for-profit and nonprofit organizations to mon-
13 itor and evaluate the environmental outcomes associ-
14 ated with implementation of the program;

15 “(4) demonstrate effective and efficient pro-
16 gram delivery, including the provision of adequate
17 technical assistance to all program participants
18 through appropriate staffing and through coopera-
19 tion with other Federal, State, Tribal, and local
20 agencies, for-profit and nonprofit organizations, and
21 individuals with demonstrated expertise in the plan-
22 ning and implementation of conservation practices,
23 systems, and approaches;

24 “(5) support and encourage innovative ap-
25 proaches to addressing resource concerns;

1 “(6) effectively leverage Federal funding with
2 local and state matching funds; and

3 “(7) demonstrate effective outreach and innova-
4 tive approaches to reaching and serving beginning
5 farmers and ranchers, limited-resource producers,
6 and operators with lower rates of historical partici-
7 pation in Federal farm and conservation programs.”.

8 **SEC. 4. REGIONAL WATER QUALITY ENHANCEMENT PRO-**
9 **GRAM.**

10 (a) PROGRAM REQUIREMENTS.—Chapter 5 of sub-
11 title D of title XII of the Food Security Act of 1985 is
12 amended by inserting after section 1240P (16 U.S.C.
13 3839bb–3) the following new section:

14 **“SEC. 1240Q. REGIONAL WATER QUALITY ENHANCEMENT**
15 **PROGRAM.**

16 “(a) PROGRAM REQUIRED.—In order to increase, fa-
17 cilitate, and further implement cooperative partnerships
18 between States, producers, and other interested persons
19 or parties to improve water quality in the largest
20 waterbodies in the United States, the Secretary shall enter
21 into agreements with States containing all or a portion
22 of such a waterbody or containing tributaries of such a
23 waterbody to assist such States to carry out special initia-
24 tives focused on the enhanced stewardship of such
25 waterbodies. The Chesapeake Bay and its tributaries shall

1 be one of the waterbodies regarding which the Secretary
2 enters into agreements under this section.

3 “(b) TERM OF AGREEMENT.—An agreement under
4 this section shall be for a term of not shorter than three
5 years nor longer than five years.

6 “(c) COMPETITIVE PROCESS; SET-ASIDE.—The Sec-
7 retary shall establish a competitive process for considering
8 applications for agreements under this section, consistent
9 with the evaluation criteria listed in subsection (d). How-
10 ever, not less than 25 percent of total funds available for
11 agreements under this section shall be awarded to States
12 containing a portion of the Chesapeake Bay watershed.

13 “(d) EVALUATION OF APPLICATIONS; CRITERIA.—In
14 evaluating applications for an agreement under this sec-
15 tion, the Secretary shall consider the extent to which the
16 program proposed by the State will accomplish the fol-
17 lowing:

18 “(1) Most cost-effectively achieve the greatest
19 improvements to water quality, utilizing one or more
20 of the following:

21 “(A) Adoption of management practices
22 and systems, including soil amendments, soil
23 and stalk testing, alternative cropping systems,
24 cover crops, buffers, and other measures.

1 “(B) Innovative or advanced conservation
2 techniques that hold substantial promise for
3 producing long-term, cost-effective improve-
4 ments to water quality.

5 “(C) Reduction in nutrient inputs to agri-
6 cultural operations, such as through feed man-
7 agement.

8 “(D) Manure processing and treatment
9 technologies to permit more efficient use and
10 transport of manure to produce energy, restore
11 nutrient-deficient lands, or reduce air emissions.

12 “(2) Leverage financial and technical resources
13 from sources other than the programs authorized by
14 this subtitle, including financial and technical re-
15 sources provided by other Federal agencies, State
16 agencies, local governments, nongovernmental orga-
17 nizations and associations, and other private sector
18 entities.

19 “(3) Provide necessary technical assistance to
20 producers and other cooperators participating in the
21 project or initiative, including in the application cost
22 estimates for technical assistance and whether such
23 assistance will be provided by technical service pro-
24 viders.

1 “(4) Establish a program of education and out-
2 reach to attract new participants.

3 “(5) Serve as a transferable model for other re-
4 gional watershed efforts.

5 “(6) Evaluate progress and measure results.

6 “(e) PRIORITIES.—To the maximum extent prac-
7 ticable, consistent with the requirements of subsection (d),
8 the Secretary shall ensure that, each fiscal year, agree-
9 ments are entered into under this section to support
10 projects and initiatives that collectively address water
11 quality impairments.

12 “(f) SELECTION PROCESS.—In evaluating applica-
13 tions under this section, the Secretary shall consider rec-
14 ommendations from scientists, regional experts, and other
15 persons with appropriate expertise in the Department of
16 Agriculture, other Federal and State agencies, and inter-
17 est groups, including producer associations and conserva-
18 tion and environmental organizations.

19 “(g) COST SHARE REQUIREMENTS.—The Secretary
20 shall not require more than 25 percent of the cost of a
21 project or initiative supported under an agreement entered
22 into under this section to come from non-Federal sources.
23 However, the Secretary may award more points to projects
24 or initiatives offering to cover a higher percentage of the
25 cost of the project or initiative from non-Federal sources.

1 If the Secretary establishes a cost-share requirement for
 2 a project or initiative, the Secretary shall allow the use
 3 of in-kind contributions to meet that requirement.

4 “(h) STATE.—In this section, the term ‘State’ in-
 5 cludes the District of Columbia.”.

6 (b) FUNDING.—Section 1241(a) of such Act (16
 7 U.S.C. 3841(a)) is amended by adding at the end the fol-
 8 lowing new paragraph:

9 “(8) The regional water quality enhancement
 10 program under section 1240Q, using, to the max-
 11 imum extent practicable—

12 “(A) \$175,000,000 for fiscal year 2008;

13 and

14 “(B) \$200,000,000 in each of fiscal years
 15 2009 through 2013.”.

16 **SEC. 5. CONSERVATION INNOVATION GRANTS.**

17 Section 1240H of such Act (16 U.S.C. 3839aa–8) is
 18 amended—

19 (1) in subsection (a), by striking “may” and in-
 20 serting “shall”;

21 (2) in subsection (b)—

22 (A) by striking “may” and inserting
 23 “shall”;

24 (B) by striking “and” at the end of para-
 25 graph (2);

1 (C) by striking the period at the end of
 2 paragraph (3) and inserting “; and”; and

3 (D) by adding at the end the following new
 4 paragraph:

5 “(4) include a plan for technology transfer.”;
 6 and

7 (3) by adding at the end the following new sub-
 8 sections:

9 “(d) TECHNOLOGY TRANSFER.—In making grants
 10 under this section, the Secretary shall give priority to
 11 projects that ensure transferability of innovative conserva-
 12 tion technologies and approaches to achieve widespread
 13 implementation by producers.

14 “(e) ADDITIONAL FUNDING.—In addition to amounts
 15 made available under section 1241(a)(6) to carry out this
 16 chapter, the Secretary shall use \$100,000,000 in funds of
 17 the Commodity Credit Corporation in each of fiscal years
 18 2008 through 2013 to carry out this section.”.

19 **SEC. 6. CONSERVATION RESERVE PROGRAM.**

20 (a) EXTENSION.—

21 (1) FUNDING EXTENSION.—Section 1241(a) of
 22 the Food Security Act of 1985 (16 U.S.C. 3841(a))
 23 is amended—

24 (A) in the matter preceding paragraph (1),
 25 by striking “2007” and inserting “2013”; and

1 (B) in paragraph (1), by striking “The”
2 and inserting “For each of fiscal years 2002
3 through 2013, the”.

4 (2) CONFORMING AMENDMENTS.—Section 1231
5 of such Act (16 U.S.C. 3831) is amended—

6 (A) in subsection (a), by striking “2007”
7 and inserting “2013”;

8 (B) in subsection (d), by striking “2007”
9 and inserting “2013”;

10 (C) in subsection (e)(3), by striking
11 “2002” and inserting “2008”; and

12 (D) in subsection (h)(1), by striking
13 “2007” and inserting “2013”.

14 (b) ENROLLMENT GOALS AND USE OF GENERAL
15 SIGNUP.—Section 1231(d) of such Act (16 U.S.C.
16 3831(d)) is amended—

17 (1) by striking “The Secretary” and inserting:

18 “(1) ACREAGE AUTHORIZED.—The Secretary”;

19 and

20 (2) by adding at the end the following new
21 paragraphs:

22 “(2) ENROLLMENT GOALS.—For the period be-
23 ginning on the date of the enactment of this para-
24 graph and ending on December 31, 2013, the Sec-
25 retary shall establish a goal to enroll not less than

1 7,000,000 acres of eligible land through the contin-
2 uous enrollment program and the conservation re-
3 serve enhancement program, with priority given to
4 riparian buffers, restored wetlands, and other habi-
5 tats known to improve water quality and called for
6 under established, State-approved tributary strate-
7 gies or watershed management plans to reduce nu-
8 trients and sediments from agricultural sources to
9 impaired waters.

10 “(3) LIMITATION ON USE OF GENERAL
11 SIGNUP.—To the maximum extent practicable, the
12 Secretary shall ensure that not more than 80 per-
13 cent of the acres maintained in the conservation re-
14 serve at any one time during the 2008 through 2013
15 calendar years are acres that were enrolled through
16 a general signup under section 1234(c)(2)(A). For
17 an offer to be accepted into the conservation reserve
18 under the general signup, the offer must have an en-
19 vironmental benefit index score at or above a thresh-
20 old that is 15 percent higher than the average of the
21 thresholds used in general signups during fiscal
22 years 1996 through 2006, adjusted for changes in
23 the index over these fiscal years.”.

24 (c) PAYMENT LIMITATION.—Section 1234(f)(1) of
25 such Act is (16 U.S.C. 3834(f)) is amended by adding at

1 the end the following new sentence: “The Secretary may
 2 waive this payment limitation for persons participating in
 3 a conservation reserve enhancement program if the Sec-
 4 retary determines such a waiver is necessary to achieve
 5 the objectives of the conservation reserve enhancement
 6 program.”.

7 **SEC. 7. CONSERVATION SECURITY PROGRAM.**

8 (a) REPEAL OF FUNDING CAP.—Section 1241(a)(3)
 9 of the Food Security Act of 1985 (16 U.S.C. 3841(a)(3))
 10 is amended by striking “, using not more than” and all
 11 that follows through “2015”.

12 (b) PROGRAM EXTENSION.—Section 1238A(a) of
 13 such Act (16 U.S.C. 3838a(a)) is amended by striking
 14 “2011” and inserting “2013”.

15 (c) ASSISTANCE TO CERTAIN STATES.—Section
 16 1238A(b) of such Act (16 U.S.C. 3838a(b)) is amended
 17 by adding at the end the following new paragraph:

18 “(5) CONTINUOUS ENROLLMENT.—The Sec-
 19 retary shall provide for a continuous enrollment of
 20 eligible land in any State that, through a written
 21 agreement, is partnering with other States and the
 22 Federal government to achieve specific numeric re-
 23 ductions in nutrient and sediment pollution loadings
 24 within a multi-State watershed in an effort to re-

1 move the waters in that watershed from the list of
 2 impaired waters under the Clean Water Act.”.

3 (d) ENHANCED PAYMENTS FOR WATER QUALITY.—
 4 Section 3838C(b)(1)(C)(iii) of such Act (16 U.S.C.
 5 3838c(b)(1)(C)(iii)) is amended—

6 (1) by striking “or” at the end of subclause
 7 (IV);

8 (2) by striking the period at the end of sub-
 9 clause (V) and inserting “; and”; and

10 (3) by adding at the end the following new sub-
 11 clause:

12 “(VI) implements practices that will sig-
 13 nificantly improve water quality in watersheds
 14 associated with waters impaired by agricultural
 15 nutrients, with priority given to the most effec-
 16 tive practices.”.

17 (e) DUTIES OF THE SECRETARY.—Section 3838c of
 18 such Act (16 U.S.C. 3838c) is amended by striking sub-
 19 sections (f) and (g) and inserting the following new sub-
 20 sections:

21 “(f) ENROLLMENT PRIORITY.—In any fiscal year in
 22 which funding for the conservation security program is
 23 limited, the Secretary shall prioritize contracts to address
 24 water quality in watersheds of water bodies impaired by
 25 nutrients, based on the degree to which a producer pro-

1 poses to increase the management intensity with which the
 2 producer addresses nutrient impairment of water quality
 3 in the watershed.

4 “(g) PROHIBITED ALLOCATION FACTOR.—The Sec-
 5 retary shall not use the total number of acres as an alloca-
 6 tion factor.

7 “(h) TECHNICAL ASSISTANCE.—For each of fiscal
 8 years 2008 through 2013, the Secretary shall provide
 9 technical assistance to producers for the development and
 10 implementation of conservation security contracts in an
 11 amount based on actual cost, but not to exceed 23 percent
 12 of amounts expended for the fiscal year.”.

13 **SEC. 8. COMPREHENSIVE PLANNING TECHNICAL ASSIST-**
 14 **ANCE PILOT PROGRAM.**

15 Section 1242 of the Food Security Act of 1985 (16
 16 U.S.C. 3842) is amended by adding at the end the fol-
 17 lowing new subsection:

18 “(c) COMPREHENSIVE PLANNING TECHNICAL AS-
 19 SISTANCE PILOT PROGRAM.—

20 “(1) CHESAPEAKE BAY WATERSHED.—The Sec-
 21 retary shall establish a pilot program in the Ches-
 22 peake Bay watershed to assist producers with com-
 23 prehensive conservation planning, design, and imple-
 24 mentation, both before applying for assistance under
 25 any of the conservation programs authorized by sub-

1 title D and through the process of design and imple-
2 mentation of conservation projects.

3 “(2) COMPREHENSIVE ASSESSMENT.—The pilot
4 program will assist producers by making a com-
5 prehensive assessment of the resource concerns,
6 needs, and alternative solutions for the producer’s
7 entire operation, as determined by the Secretary, fol-
8 lowing the procedures in the Natural Resources Con-
9 servation Service conservation planning manual, and
10 by providing technical assistance in design and im-
11 plementation of the solutions.

12 “(3) PROVISION OF ASSISTANCE.—Assistance to
13 producers under the pilot program shall be provided
14 by the Secretary directly or through third party pro-
15 viders certified by the Secretary. The results of the
16 comprehensive planning, design, and implementation
17 assistance shall be provided to the producer to en-
18 able informed choices on the type of financial assist-
19 ance available through conservation programs ad-
20 ministered by the Secretary under subtitle D that
21 would most effectively address the resource needs of
22 the operation consistent with the environmental
23 goals for the area in which the operation is located.

1 “(4) COST.—Assistance under the pilot pro-
 2 gram shall be provided by the Secretary without cost
 3 to producers.

4 “(5) FUNDING.—The Secretary shall provide
 5 \$10,000,000 of the funds of the Commodity Credit
 6 Corporation each of fiscal years 2008 through 2013
 7 to carry out the pilot program.”.

8 **SEC. 9. WETLANDS RESERVE PROGRAM.**

9 (a) EXTENSION.—

10 (1) FUNDING EXTENSION.—Section 1241(a)(2)
 11 of the Food Security Act of 1985 (16 U.S.C.
 12 3841(a)(2)) is amended by striking “The” and in-
 13 serting “For each of fiscal years 2002 through
 14 2013, the”.

15 (2) CONFORMING AMENDMENT.—Section
 16 1237(c) of such Act (16 U.S.C. 3837(c)) is amended
 17 by striking “2007” and inserting “2013”.

18 (b) MAXIMUM AND YEARLY ENROLLMENT.—Section
 19 1237(b)(1) of such Act (16 U.S.C. 3837(b)(1)) is amend-
 20 ed by striking “2,275,000 acres,” and all that follows
 21 through the period at the end and inserting “3,500,000
 22 acres, of which, to the maximum extent practicable, 5,000
 23 acres in calendar year 2008 and 10,000 acres in each of
 24 calendar years 2009 and 2010 shall be enrolled to meet
 25 State and Federal 2010 goals established pursuant to the

1 Chesapeake 2000 agreement for the Chesapeake Bay wa-
2 tershed.”.

3 (c) PRIORITY.—Section 1237 of such Act (16 U.S.C.
4 3837) is amended by adding at the end the following new
5 subsection:

6 “(g) PRIORITY.—The Secretary shall give priority to
7 enrollments benefitting water quality and shall consider
8 whether States are implementing the program consistent
9 with these priorities when allocating program funding to
10 states.”

11 (d) ADDITIONAL PURPOSE.—Section 1237A(b)(3) of
12 such Act (16 U.S.C. 3837a(b)(3)) is amended by inserting
13 after “wetlands” the following: “, including the reduction
14 of excess nutrients”.

15 (e) INCREASED COST SHARE.—Section 1237C(b)(2)
16 of such Act (16 U.S.C. 3837c(b)(2)) is amended by adding
17 at the end the following new sentence: “However, the Sec-
18 retary may increase the cost-share percentage if the res-
19 toration plan referred to in section 1237A(b) results in
20 significant reduction of excess nutrients in watersheds of
21 waterbodies impaired by agricultural nutrients or results
22 in land placed under permanent easement.”.

23 (f) EASEMENT PRIORITY.—Section 1237C(d) of such
24 Act (16 U.S.C. 3837c(d)) is amended by inserting before
25 the period at the end the following: “or for achieving nu-

1 trient reductions in watersheds of waterbodies impaired by
2 agricultural nutrients”.

3 **SEC. 10. AGRICULTURAL MANAGEMENT ASSISTANCE.**

4 (a) ADDITIONAL STATE.—Subsection (b)(1) of sec-
5 tion 524 of the Federal Crop Insurance Act (7 U.S.C.
6 1524) is amended by inserting “Virginia,” after
7 “Vermont,”.

8 (b) FUNDING AND DURATION.—Subsection (b)(4)(B)
9 of such section is amended—

10 (1) in clause (ii)—

11 (A) by striking “fiscal years 2003 through
12 2007” and inserting “fiscal years 2008 through
13 2013”; and

14 (B) by striking “\$20,000,000” and insert-
15 ing “\$50,000,000”; and

16 (2) in clause (iii)—

17 (A) by striking “fiscal years 2004 through
18 2007” and inserting “fiscal years 2008 through
19 2013”;

20 (B) in subclause (I), by striking
21 “\$14,000,000” and inserting “\$38,000,000”;

22 (C) in subclause (II), by striking
23 “\$1,000,000” and inserting “\$2,000,000”; and

24 (D) in subclause (III), by striking
25 “\$5,000,000” and inserting “\$10,000,000”.

1 **SEC. 11. BIOREFINERY AND BIOFUEL PROJECT GRANTS.**

2 (a) DEFINITIONS.—Subsection (b) of section 9003 of
3 the Farm Security and Rural Investment Act of 2002 (7
4 U.S.C. 8103) is amended by—

5 (1) redesignating paragraph (3) as paragraph
6 (4); and

7 (2) inserting after paragraph (3) the following
8 new paragraph:

9 “(3) CHESAPEAKE BAY WATERSHED STATES.—
10 The term ‘Chesapeake Bay Watershed States’ means
11 the States of Delaware, Maryland, New York, Penn-
12 sylvania, Virginia, and West Virginia and the Dis-
13 trict of Columbia.”.

14 (b) ASSISTANCE METHODS.—Subsection (c) of such
15 section is amended to read as follows:

16 “(c) ASSISTANCE.—

17 “(1) GRANTS.—The Secretary shall award
18 grants and make loans and loan guarantees to eligi-
19 ble entities to assist in covering the cost of develop-
20 ment and construction of biorefineries to carry out
21 projects to demonstrate the commercial viability of
22 one or more processes for converting biomass to
23 fuels or chemicals.

24 “(2) CHESAPEAKE BAY WATERSHED
25 PROJECTS.—In the case of a project to be operated
26 in one or more of the Chesapeake Bay Watershed

1 States, the Secretary shall award grants under this
2 subsection for the purpose of developing and pro-
3 moting the commercial viability of no-till soybean
4 biodiesel production, cellulosic ethanol production,
5 manure to energy processes and technologies, and
6 other technologies that promote the conversion of
7 biomass to fuels and chemicals and the reduction of
8 nutrient impacts to water quality.”.

9 (c) ENVIRONMENTAL GOALS; DISTRIBUTION OF
10 GRANTS.—Subsection (e) of such section is amended—

11 (1) in paragraph (2)(A)—

12 (A) by striking “and” at the end of clause

13 (i);

14 (B) by redesignating clause (ii) as clause

15 (iii); and

16 (C) by inserting after clause (i) the fol-
17 lowing new clause:

18 “(ii) shall select projects based upon
19 the extent to which the projects meet envi-
20 ronmental goals for feed stocks and refin-
21 eries developed by the Secretary in con-
22 sultation with the Secretary of the Interior,
23 the Secretary of Energy, the Administrator
24 of the Environmental Protection Agency,
25 and the National Academy of Sciences tak-

1 ing into consideration clean water and air
2 goals; and”.

3 (2) by adding at the end the following new
4 paragraph:

5 “(3) FUNDS FOR CHESAPEAKE BAY STATES.—
6 The Secretary shall ensure that not less than 15
7 percent of the total funds available under this sec-
8 tion are provided to projects operated in Chesapeake
9 Bay Watershed States that benefit the Chesapeake
10 Bay watershed .”.

11 (d) FUNDING.—Subsection (h) of such section is
12 amended to read as follows:

13 “(h) Of the funds of the Commodity Credit Corpora-
14 tion, the Secretary shall use \$100,000,000 for each of fis-
15 cal years 2008 through 2013 to carry out this section.”.

16 **SEC. 12. RENEWABLE ENERGY SYSTEMS AND ENERGY EFFI-**
17 **CIENCY IMPROVEMENTS PROGRAM.**

18 Section 9006 of the Farm Security and Rural Invest-
19 ment Act of 2002 (7 U.S.C. 8106) is amended—

20 (1) in subsection (c)—

21 (A) by striking paragraph (2)(C) and in-
22 serting the following:

23 “(C) the expected environmental benefits
24 of the renewable energy system, including in

1 watersheds of bodies of water degraded by agri-
2 cultural nutrients and to water quality;” and

3 (B) by adding at the end the following new
4 paragraph:

5 “(3) PREFERENCE FOR COMMUNITY
6 PROJECTS.—The Secretary shall give preference in
7 funding and grant and loan selection to activities
8 that the Secretary determines—

9 “(A) are undertaken jointly by more than
10 one eligible entity in a local community;

11 “(B) involve direct cooperation between
12 two or more eligible entities; and

13 “(C) foster community or cooperative ap-
14 proaches to renewable energy and energy effi-
15 ciency development.”; and

16 (2) by striking subsection (f) and inserting the
17 following:

18 “(f) PRODUCTION-BASED INCENTIVE IN LIEU OF
19 GRANT.—

20 “(1) IN GENERAL.—In addition to the authority
21 under subsection (a), the Secretary may, on the re-
22 quest of an applicant the Secretary determines is eli-
23 gible under subsection (b), make production-based
24 payments to the applicant in lieu of a grant.

1 “(2) CONTINGENCY.—The Secretary shall only
2 make a payment under paragraph (1) if the appli-
3 cant provides the Secretary with documentation
4 showing energy production and sales from a renew-
5 able energy system to a third party.

6 “(3) LIMITATION.—The total net present value
7 of a production-based incentive may not exceed the
8 lower of—

9 “(A) 25 percent of the eligible project
10 costs; and

11 “(B) any other limits that the Secretary
12 establishes by rule or guidance.

13 “(g) DISTRIBUTION OF GRANTS.—The Secretary
14 shall ensure that not less than 15 percent of the grants,
15 loans, and loan guarantees provided under this section are
16 provided to projects in Chesapeake Bay Watershed States
17 that benefit the Chesapeake Bay watershed.

18 “(h) DEFINITION.—In this section, the term ‘Chesa-
19 peake Bay Watershed States’ means the States of Dela-
20 ware, Maryland, New York, Pennsylvania, Virginia, and
21 West Virginia and the District of Columbia.

22 “(i) FUNDING.—Of the funds of the Commodity
23 Credit Corporation, the Secretary shall make available to
24 carry out this section—

1 “(1) \$60,000,000 for fiscal year 2008, to re-
2 main available until expended;

3 “(2) \$90,000,000 for fiscal year 2009, to re-
4 main available until expended;

5 “(3) \$130,000,000 for fiscal year 2010, to re-
6 main available until expended;

7 “(4) \$180,000,000 for fiscal year 2011, to re-
8 main available until expended; and

9 “(5) \$250,000,000 for fiscal year 2012, to re-
10 main available until expended.”.

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